

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposals Sixteen Through Twenty)

Docket No. RM2012-2

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued February 8, 2012)

To clarify the basis of the Postal Service's estimates in its proposals filed in Docket No. RM2012-2, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 15, 2012.

Proposal Sixteen

1. In Docket ACR2011, two FSS-related MODS operation codes are listed that were not included in the FSS productivity calculation for Proposal 16, Docket RM2012-2. These are MODS operation code 448 (FSS PHASE 2 PROTOTYPE) and 531 (FLATS SEQUENCING SYSTEM DELIVERY POINT SEQUENCE) filed in ACR2011 USPS-FY-11-7 (part1.xls "CPool Hrs by Ops&LDC-MODS" tab, code 448 is listed as having logged 46,167 labor hours and code 531, 427 labor hours).
  - a. Please explain why these MODS operations data were not included in Proposal 16's FSS productivity calculation.
  - b. MODS code 448 in ACR2011, USPS-FY11 is shown with two different names (part1.xls has "FSS PHASE II PROTOTYPE" and part2.xls has "UFSM1000 KEYING INCOMING SCHEME"). Please reconcile the names and provide rationale for including MODS operation code 448 labor hours in the FSM/1000 cost pool (rather than the FSS cost pool).
  - c. Please provide operational definitions for MODS codes 448 and 531.

2. The table supporting calculations for Docket RM2012-2, ChIR No.1, question 5 (ChIR\_No\_1\_5.xls) and the tab called "yr\_scrub11\_cutoffs" contain columns titled: Min, Max, Min Cutoff, and Max Cutoff.
  - a. Please explain how these were calculated and specify how (or whether) these were used in the selection of observations for the productivity groups (worksheet tabs in ChIR\_No\_1\_5.xls show differing counts of observations). Please provide a program and/or spreadsheet showing the methodology.
3. In Docket ACR2011, LR USPS-FY11-23, three computer programs were filed related to Docket No. RM2012-2, Proposal 17 (loadscrub\_prop17.tsp, modspord\_prop17.f, and yr\_scrub\_prop17.tsp). Collectively, these programs either compile, group or scrub the MODS data.
  - a. The scrub program (yr\_scrub\_prop17.tsp) appears to rank the nonzero ratio observations and eliminate the top and bottom one percent. Please explain how the data were further screened to result in the 1,627 observations used for group eight's (Out BCS Secondary) productivity ratio.
  - b. In the modspord\_prop17.f program, MODS operation code 282 DBCS/DIOSS ISS O/G Secondary work hours are aggregated into the larger Out BCS Secondary data prior to the scrub procedures. The MODS Handbook states that operation code 282 is the default code for employees who have not been assigned a base operation number and also that this operation receives TPH from the WebEOR. MODS operation code 282 work hours have increased substantially between FY 2008 and 2011 (FY2008: 4,872; FY2009: 250,284; FY2010: 712,031; and FY2011: 778,529). The latest TPH data available for operation code 282, filed in

Docket No. N2010-1, did not show annual increases on the same scale as the work hours increases. Please explain the reasons for the work hour increases in MODS operation code 282 absent comparable percentage increases in TPH.

- c. Proposal Seventeen groups MODS operation code 282 with the Out BCS Secondary productivity data (group eight). There were a number of observations in the MODS10.zip data where Out BCS Secondary work hours were logged without accompanying volume/TPF data. Some facilities also reported no TPF volume for most or the entire year (See specific facilities identified as 28, 64, 68 and 71 group eight data). Please explain why there is missing volume data when the MODS Handbook states these operations receive volume (presumably automatic) from the WebEOR reports.

#### Proposal Twenty

1. The mail processing cost of a handwritten reply mail piece serves as the benchmark for comparison to the mail processing costs for a QBRM reply piece to estimate the avoided cost of QBRM. However, the Postal Service's cost analysis is limited to costs incurred up to the point each QBRM piece receives its first sortation on a Bar Code Sorter (BCS).

Please refer to USPS-FY11-21.xls. The tabs 'QBRM flow' and 'HAND flow' show that 2.99 percent of QBRM reply pieces (Cell M42/ Cell F5 \* 100) and 9.72 percent of handwritten reply mail pieces ((Cell J32+ Cell J37)/ Cell F5 \* 100) go to outgoing manual operations from either Outgoing RBCS (for handwritten pieces) or from Outgoing Primary Auto (for QBRM).

The Postal Service's QBRM cost avoidance model assumes that automation pieces are finalized in the first sort. The figures in the table below reflect an additional assumption that the pieces rejected and sent to manual processing will require an Outgoing Primary Manual sort in order to be finalized.

Please see the table below.

New QBRM analysis			
a	Outgoing Primary Manual, cents per piece <sup>1</sup>		7.416
	<u>QBRM</u>		
b	Finalized in automation		97.01%
c	Rejected to manual processing		2.99%
$d=(0*b)+(a*c)$	Average cost of additional manual sort required to finalize		0.2
	<u>Hand</u>		
e	Finalized in automation		90.28%
f	Rejected to manual processing		9.72%
$g=(0*e)+(a*f)$	Average cost of additional manual sort required to finalize		0.7
$h=g-d$	Difference in manual sort costs required to finalize rejects		0.5
1/: USPS-FY11-10 FCM_LTRS.xls, tab BMM cost, cell K19			

- a. Please explain how QBRM and handwritten reply mail pieces that are not successfully processed in an automated sort are finalized.

- b. Should the cost difference related to manually finalized reply pieces be included in the cost avoidance calculation? If not, why not?
- c. Please explain whether and how any of the assumptions above are problematic.

By the Chairman.

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